



# Independence of Directors Policy

Approved by the Board of Directors: 24 February 2009

## Purpose

This policy applies to the board of directors of Australian Pipeline Limited, the responsible entity of Australian Pipeline Trust and APT Investment Trust.

The purpose of this policy is to specify:

- how the independence of directors will be determined;
- the obligation of directors to keep the board informed as to matters that may be relevant to their independence; and
- the disclosures to be made to securityholders with respect to the independence of directors.

## Background

The charter for the board requires that a majority of the board be comprised of independent directors, and the charters for the committees of the board require that a majority of committee members (or, in the case of the Audit & Risk Management Committee, all committee members) be independent directors.

## Policy

The board's overarching test for independence is whether the director is independent of management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of the director's unfettered and independent judgement.

It is not possible to explicitly provide for all circumstances that may be relevant to a director's independence. However, a director will normally be considered independent if he or she meets all of the following criteria:

- the director is not employed, and within the last three years has not been employed, in an executive capacity by any member of the APA Group;
- the director is not a substantial securityholder in the APA Group or an officer of, or otherwise associated directly with, a substantial securityholder in the APA Group. For this purpose, "substantial securityholder" means a person or entity with a substantial holding as defined in section 9 of the *Corporations Act 2001*;
- within the last three years the director has not been a principal of a material professional adviser or a material consultant to any member of the APA Group, or an employee materially associated with the service provided;

- the director is not a material supplier or customer of any member of the APA Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- the director does not have any material contractual relationship with any member of the APA Group, other than as director;
- the director has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with his or her ability to act in the best interests of APA Group and its securityholders;
- the board determines that the director is independent in character and judgement.

The board may determine that in certain circumstances a director is independent notwithstanding that he or she does not meet one or more of those criteria, but if the board does so it will publicly disclose its reasons for making that determination.

Similarly, the board recognises that in certain circumstances a director may not be independent even though he or she meets each of those criteria.

Except as expressly stated, the board has not determined an amount or amounts for the purpose of determining materiality in the context of the criteria listed above. The board considers there are inherent weaknesses in mechanically applying quantitative criteria for that purpose and so will determine materiality on a case by case basis having regard to the particular circumstances of a director's relationship with the APA Group.

The board reviews the independence of directors at least annually.

Each director is required to promptly provide the board with any new information that may be relevant to the director's independence. The board will promptly consider that new information in reassessing the director's independence.

The board will disclose in each APA Group annual report its determination as to the whether each director is independent and the period during which each director has held office.

The notice of meeting for the annual meeting of securityholders will, in respect to any director being nominated for re-election, state whether or not the board has determined the director to be independent.